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# **Public Service Broadcasting, Children's Television and Market Failure: The Case of the United Kingdom**

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## **ABSTRACT**

Domestically-produced children's television is frequently highlighted as both an area of market failure, and also as an area where children's changing consumption habits necessitate new and different ways of thinking about funding children's content across a range of platforms. In the light of a recent UK proposal to set up a Public Service Content Fund to support 'genres' under threat, including children's programming, this paper considers how you fund diverse high quality children's content in a more challenging media environment where children's content is arguably still a market failure 'genre'. The first part of the paper provides context by outlining the market failure characteristics of children's content as a framework for analysing the validity of market failure arguments across a range of platforms. It then investigates the causes of perceived market failure in the UK children's TV production market. The final part examines the implications of recent UK policy responses to provision for children that seek to address market failure through a) the possible introduction of a contestable fund for public service content b) more stringent obligations on the BBC and c) the re-imposition of quotas on commercially-funded PSBs (ITV, Channel 4, Five). Drawing on regulatory and stakeholder responses, it concludes that attempts to overcome market failure in UK children's television appear unsuited for funding the longer-term curation, distribution and discovery of new types of content on platforms other than broadcasting.

# **Public Service Broadcasting, Children's Television and Market Failure: The Case of the United Kingdom**

## **Introduction**

Children's television (TV) is still an important part of what public service broadcasting (PSB) institutions are supposed to offer, and most are explicitly called upon to serve young audiences as part of their public service mandate. Most PSBs are expected to provide free, universally available, non-commercial content to all children. Indeed, without engaging with young audiences, there is a danger that children will fail to be 'enculturate [d]' (Messenger Davies, 1995, p. 23) in the public service ethos, and gradually drift away, rendering PSB smaller in scope and scale by default. As a core public service component, children's content could therefore be seen as existential for an extended interpretation of PSB towards Public Service Media (PSM) (Lowe and Bardoel, 2007) as PSBs seek to engage young audiences beyond broadcast television across different platforms in a networked society (Livingstone and Local, 2017).

However, it could also be argued that the legitimacy of PSB children's content is in fact undermined by the sheer abundance of what is now on offer commercially. After all there are reputedly over 400 children's channels globally (Westcott and Stuart, 2015), and swathes of free on-demand content on YouTube, or at a price on SVOD (subscription video-on-demand) services such as Netflix and Amazon Prime, who are ramping up commissioning of children's programming to attract subscribers (Potter, 2017). Nevertheless, in the face of proliferating competition some *national* commercial broadcasters (for example in Australia, Denmark, Ireland, New Zealand, United Kingdom - UK) have virtually withdrawn from children's content

commissioning, ceding this to national PSBs, US transnationals, represented by Disney, Nickelodeon and Cartoon Network and SVODs (Steemers and Awan, 2016). There are then clearly limits to what some commercial media companies are willing to offer children at a satisfactory profit (Berg et al, 2014, p. 115), but does this constitute a market failure and justification for interventions like PSB?

Focussing on recent UK debates about the future of public service TV programmes for children, this article poses the following research questions. First how do you define market failure in children's content and what are the key issues? Second how was market failure understood in the UK market for children's television? Third what are the implications for children's content of recent UK policy initiatives to address market failure through a) the possible introduction of a contestable fund for public service content; b) more stringent obligations to children for publicly-funded PSB, the BBC (British Broadcasting Corporation); and c) the re-imposition of quotas on commercially-funded PSBs (ITV/Independent Television, Channel 4, Five)? The article concludes by arguing that recent policy decisions in the UK children's sector could create obstacles to innovation because of an over-emphasis on the problems of domestic children's television rather than those forces that are driving a new media eco-system in the children's content market.

The research presented here first provides context by unpacking the market failure characteristics of children's television as a framework for analysing the validity of market failure arguments across a range of platforms. It then assesses the roots of perceived market failure in UK children's TV. The final section analyses recent UK policy responses to provision for children and what these might mean for the long-term future for production of UK-originated TV content for children. As a

contribution to debates within media management, the focus on policy-making for children's programming and services goes beyond industry and company level issues. It does this by demonstrating the continuing and central importance of media policy in determining both the constraints and incentives that affect both managerial decision-making and responsibilities.

Findings are based on an examination of government and stakeholder documents including BBC Charter Review, analysis of interactions between stakeholders at public events, oral and written evidence to public inquiries, press reports and participant observation.<sup>1</sup> Findings also draw on further analysis of data originally collected for the purposes of a stakeholder report (Steemers and Awan, 2016) on the funding of public service children's content in Australia, Canada, Denmark, France, Ireland, New Zealand, and the UK.

### **Children's television as a market failure 'genre'**

Helm (2005, p. 6) argues that the causes of market failure are 'multiple' and that such failures 'rarely point straightforwardly to state provision or single-form solutions.' This is certainly true of children's television where various market interventions, including PSB, have been employed to address market irregularities. How then has market failure in the children's TV market been articulated, and are these arguments still valid in a multiplatform environment? Historically children's television may have demonstrated market failure in two ways: the failure of the market to allocate sufficient resources to children's content, and secondly, the failure of the market to generate enough domestically-produced content to contribute to children's sense of identity (see Doyle, 2013, p. 92).

### ***Efficiency – the failure to allocate resources***

Children's television is not a market failure in terms of quantity because of numerous channels showing copious amounts of cheaply acquired animation, often from North America and Asia, that is easily dubbed and repeated again and again as children grow up to be replaced by new generations of children (Steemers, 2010). Nor are children or children's content alone in being pinpointed as segments of the audience or types of content that are potentially underserved by the market. Potentially underserved genres include religion, arts, education and classical music, while potentially underserved audiences may include those from BAME (Black, Asian and minority ethnic) communities and those residing in geographically marginalised areas (DCMS, 2016b, p.72; Ofcom, 2007b, p. 19). What makes the children's content market different are perceptions of what this audience needs because of its immaturity and how this is best achieved.

Where the children's market is often deemed to fail is in supporting sustainable amounts of *domestically produced first-run* children's content (D'Arma and Steemers, 2012), one part of the market for children's content. This excludes the US whose large, wealthy, commercially-funded and mostly self-sufficient domestic market (Hoskins and McFadyen, 1991), has propelled US children's content to international prominence, leveraging the global supremacy of Disney, Warner (Cartoon Network) and Viacom (Nickelodeon). Rather than commissioning content targeted at individual non-US markets, US transnationals have concentrated on content forms (animation, US-based sitcoms) and age-groups (preschool, 6-10 years) where audiences can be aggregated by age across borders for greater economic efficiency, but at the expense of cultural or geographic specificity (White and Preston,

2005). This was underlined in a 2012 study of what US-owned channels offer European children, revealing not unsurprisingly that they schedule predominantly (50-80 per cent) US shows (animation, sitcoms), leaving national PSBs as the main broadcasters of national content (Steemers and D'Arma, 2012).

While there are numerous channels and several platforms for children's content, there are few commissioners of *original first-run* children's content because of consolidation among transnational commercial providers (broadcast and now SVOD), who operate alongside one or two state or public service providers in most countries. Beyond the US, other national markets have been too small to support home-grown children's content on a sustainable commercial basis without policy interventions because there are few commercial benefits from the restricted advertising opportunities arising from small domestic child audiences with limited purchasing power. The most lucrative advertising has typically been for toys, snacks and beverages, supplemented by the small number of children's properties (e.g. *Peppa Pig*, *SpongeBob SquarePants*) with value in licensed merchandise, mostly revolving around toys, publishing and games (Steemers, 2010). In recent years advertising restrictions have made children's broadcast content even less attractive to domestic commercial players with bans on advertising for 'junk' food and fizzy drinks around children's broadcast content in Australia, Germany, Greece, Norway, Sweden and the UK. Declining interest is particularly evident in reduced expenditure on original children's content by commercial multi-genre broadcast channels, even in those countries with a strong tradition of domestic production for children including Australia (Screen Australia, 2013), New Zealand (NZ On Air, 2015), the UK (Ofcom, 2017a), France (CNC, 2015) and Denmark.

A further aspect of resource allocation and a challenge for all broadcasters, are shifts by child audiences away from linear channels to online platforms (Livingstone and Local, 2017), necessitating research and investment into new types of content (short-form, interactive), new creative tools and new ways of reaching (streaming, apps) and engaging (social media, personalisation) with young audiences (see BBC, 2017a) to maintain discoverability and relevance across *on-demand* platforms, which do not fit the broadcast model of scheduled appointments to view. For example, between 2011 and 2016 viewing by UK children aged 4-15 of broadcast television on a TV set fell by a third to 101 minutes a day, as their watching shifted to other devices (Ofcom, 2017a). In meeting these challenges of distribution and access, all broadcasters, aggregators and producers need to establish how they will fund *new* online and digital initiatives from a less certain funding environment, seeking, in the words of Alice Webb, Director of BBC Children's, to ride the 'two horses' of online and broadcast platforms simultaneously (Webb, 2015).

Failures to allocate resources to children's content are also influenced by industry definitions of childhood. Childhood is a social and cultural construct with no fixed or agreed universal concept of what it means to be a child, or even of how long childhood lasts (Messenger Davies, 2010, p.7). This understanding also applies to television, where children's programming departments, both PSB and commercial, rarely cater for children over twelve, even though the United Nations defines a child as anyone under eighteen (UN, 1989). This failure by industry to serve all children with diverse content, is compounded by the frequent labelling of children's content as a genre (DCMS, 2015), although it comprises many genres (drama, factual, entertainment), targeted at diverse audiences (age, gender, ethnicity) in much the same way as adult content.



### ***Failure to generate local content that contributes to children's sense of identity***

Alongside the market's failure to produce enough domestic children's TV content in some markets, the children's market could also be characterised by a failure to advance other desirable goals (see Doyle, 2013, p. 92). While desirable media policy goals for adults, underpinning support for PSB, might involve social cohesion and contributions to democracy and citizenship, justification for intervention in the children's market usually centres on normative goals that children should be protected from harm, but should also have access to content that reflects their diverse lives, providing the 'prerequisites to children's participation in society' (UN, 1989, Article 17). Market failure in the children's market is therefore linked to externalities or external effects that are deemed to require either negative regulation (to regulate against negative effects) or positive interventions (to regulate for positive outcomes) (D'Arma and Steemers, 2012).

Negative regulation in the children's market has focused on potentially adverse market impact on vulnerable children who need protection from commercialisation, inappropriate sexual or violent content, or technological overload (Palmer, 2006; Postman, 1982). However, as a merit good with positive effects, certain types of children's content might be regarded as potentially beneficial and deserving of positive policy interventions, because they have 'inherent value for society that extends beyond what can be measured or expressed in market terms' (Doyle, 2013, p. 95). Children's provision is not the only example of a merit good. Arts or educational content might also come under this classification, but the reasoning here suggests that diverse and wide-ranging 'quality' originations for children such as news, drama and factual programmes, could stimulate children's perception of themselves as citizens,

or encourage other forms of positive behaviour (healthy eating; care for others) that are beneficial to society (see Messenger and Thornham, 2007, pp.1-2). Children's content becomes a desirable merit good in as far as it meets normative requirements to provide children with content that allows them to see their own lives and culture reflected on screen, a view reinforced by children's media advocacy organisations like the UK's Children's Media Foundation (CMF), which campaigns for 'content which is specifically made for them and connects them to the culture in which they live – in all its diversity' (CMF, 2015, p. 3). Even if there is little quantifiable evidence that watching domestic content is more beneficial than watching imported content (Buckingham, 2009), what matters is whether governments are actually prepared to intervene to reinforce the perceived cultural value of particular types of domestic content in society's interest, even if the arguments are not necessarily backed up by incontrovertible evidence.

For broadcasting, obligations towards children have often been enacted through PSB remits, although these are not always specified in detail through transmission or output quotas (e.g. Denmark, Australia, Ireland). Market failure logic would suggest that to remain 'distinctive' PSBs need to provide precisely those things that the market does not. For linear broadcasting distinctiveness has typically been focused on domestically-produced news, drama and factual programming (Ofcom, 2007a, p. 7) rather than imported animation. At the BBC, for example, animation (including domestically-produced animation) has accounted for between 16-20 per cent of transmissions on CBBC, its channel for 6-12 year-olds and 30 per cent on pre-school channel, CBeebies (Steemers & D'Arma, 2012, p. 75; Ofcom, 2013, p. 30), compared to 60-75 per cent on most transnational channels and even some public service channels (Steemers & D'Arma, 2012, p. 75). The BBC has also been required to

transmit in excess of 70 per cent of original UK or European productions. However, the reality of how well PSBs serve children varies widely. While some enjoy high reputations for origination and creativity (UK, Nordic countries, Germany), others (Spain, Italy, Central and Eastern Europe) have struggled to be both popular and distinctive against commercial rivals because of a mixture of inadequate funding, limited domestic production, low prioritisation of child audiences, and decreasing political support for PSBs generally (D'Arma and Labio, 2017; Lustyik, 2013).

Beyond PSB positive interventions in children's content to combat market failure are clearly evident in countries, which have sought to regulate domestic commercial broadcasters through transmission and first-run origination quotas (Australia, France, Canada), levies on commercial broadcasters to subsidise production (France, Canada), expenditure obligations on broadcasters for animation (France) or children's content (Canada), contestable funds that support children's and other public service content (Denmark, Ireland, New Zealand) and tax incentives to encourage investment (Steemers and Awan, 2016). These regulatory interventions show that domestic commercial broadcast players have frequently been regarded as important contributors to sustaining *domestic* children's content alongside PSBs within a balanced production ecology (Steemers, 2010).

However, these interventions in children's broadcasting are less effective as children migrate to other platforms, raising questions about whether policy interventions should be extended to new platforms and services on the basis of market failure. These deliberations pose challenges to public service institutions in particular (Goodwin, 2014, p. 84), because while economic logic about externalities (positive and negative external effects) and merit goods could be used to justify new services

and platforms operated by PSBs, it does not necessarily exclude other providers (museums, charities and even for-profit organisations) from also offering publicly-funded public service content on digital platforms (Goldsmiths 2016; Ofcom 2007b).

### **Market failure in the UK**

Given the complexities of market failure in the children's television market, how did arguments unfold in the UK in the wake of BBC Charter Review between 2015 and 2017 when the UK Conservative Government directly addressed market failure in children's television for the first time?

When the UK Government published its Green Paper on the BBC in 2015 (DCMS, 2015), few doubted that the UK children's production sector had been in trouble for years. Between 2004 and 2014 first run UK originated children's hours from the BBC and commercial PSBs combined slumped 64 per cent from 1,887 to 672 hours with expenditure dropping 44 per cent from £159 million to £88 million (Ofcom, 2015, p.13). The fall on both counts was mainly due to commercially-funded PSBs, primarily ITV, but also Channel 4 and Five, who in return for free-to-air broadcast licenses had been obliged in the past to serve children through transmission and output quotas. They were liberated from these obligations, when children's content became part of Tier 3 PSB programming under the 2003 UK Communications Act, which did not allow quotas.

The removal of quotas had consequences. Between 2004 and 2014 commercial PSB commissioned hours slumped from 555 hours to just 93 hours and investment in commercial PSB originations dropped from £48 million to just £3 million (Ofcom, 2015, p.13). The withdrawal from commissioning was accelerated when a ban on

advertising for food and drink high in fat, sugar and salt (HFSS) was introduced around children's broadcast content in 2006. By 2014 the BBC accounted for 95 per cent of total PSB expenditure on first-run UK children's content and 86 per cent of commissioned PSB hours (Ofcom, 2015, p.13), but it too was scaling back because of budgetary pressures. Between 2004 and 2014 the BBC reduced its hours of first-run originations by 57 per cent (Ofcom, 2015, p. 13) as it pursued a 'fewer, bigger, better' strategy that concentrated spending on fewer projects (BBC Trust, 2009, p. 7).

Other commercial channels, including the main US providers, did not plug the gap with their UK commissions dropping 61 per cent from 283 hours in 2010 to 111 hours in 2013 out of 136,311 hours broadcast (Ofcom, 2014a, p. 9). Nor has the arrival of online SVOD services, Netflix and Amazon, or a new commercial app from satellite broadcaster Sky, Sky Kids, compensated for downturns in UK commissioning. Some UK producers have benefited from Netflix and Amazon investment, but the number of commissions remains small and largely focused on internationally-oriented animation or drama productions with US leads (Blazeby, 2016) rather than content targeted specifically at UK audiences.

It could be argued that the UK children's television market has experienced three variations of market failure (Berg et al, 2014, pp.112-13). ITV which had been the largest investor in original UK children's content until 2001, spending more than £70 million (Ofcom, 2015a, p. 13), underwent a *failure of incentive*, because market conditions (more competition, ban on HFSS advertising) no longer made it possible to realise sufficient profit from children's programming. ITV still supported a children's channel, CiTV, relying on acquisitions and repeats (Ofcom, 2013, p. 9), but a rare foray into production, such as the remake of the 1960s Supermarionation property,

*Thunderbirds*, in 2015, was squarely aimed at building a brand for international family rather than local child audiences (Potter, 2017).

This failure of incentive by ITV was compounded by a *failure of regulation and enforcement* (Berg et al, 2014), because regulator Ofcom (Office of Communications) no longer had the tools to enforce compliance because of the removal of enforceable quotas. For example, when commercial PSB, Channel 4, repeatedly failed to meet its annual statutory requirements to serve older children, all Ofcom could do was issue a letter of rebuke, requiring Channel 4 to do better next time (Ofcom, 2016).

Yet according to the UK Government what had gone wrong was actually a *failure of structure* (Berg et al, 2014, p. 113) with the emergence of the BBC as practically the sole commissioner of domestic children's content. In 2015, the UK Government suggested in its Green Paper on BBC Charter renewal that 'a small amount of contestable funding' from the licence fee might 'introduce greater diversity of providers and greater plurality in public service provision' within vulnerable public service 'genres' including children's programming (DCMS, 2015, pp.114-115). Arguing that the BBC had a near monopoly in the children's market it suggested that part of the licence fee might be 'protected' and redistributed to 'alternative providers', raising the spectre of renewed licence fee top-slicing for the BBC (DCMS, 2015, pp.114-115).

### **Policy responses to market failure**

If UK children's TV content was considered a market failure 'genre' what were the responses, and what might these mean for the long-term future of children's content?

Between 2015 and 2017 three responses were formulated by policy-makers. These were:

- Plans for a contestable fund for at risk genres including children's content, conceived by the Conservative Government in the wake of BBC Charter Review, and put under consultation by the government in December 2016. (DCMS, 2016a)
- The inclusion of first-run UK origination quotas for children's programming in the BBC's proposed operating framework, put out for consultation by Ofcom in March 2017 (Ofcom, 2017b).
- The re-imposition of quotas on commercial PSBs, an intervention that was secured in an amendment to the 2017 Digital Economy Bill in April 2017.

### *Contestable funding*

In May 2016, the UK government's BBC White Paper proposed a £20 million a year pilot fund for at risk genres (arts, music, education, religion, children's) and underserved minority and regional audiences, financed over three years from leftover licence fee funding that had been top-sliced from the 2010 licence fee settlement. Referencing similar funds that operate independently of public service institutions in Ireland (Sound and Vision) and New Zealand (NZ on Air), the fund would support content free at the point of use on platforms with an 'appropriate reach' (DCMS, 2016b, p.9). Pointing to the BBC's 'near monopoly' in children's content, the government had argued that other providers offered content 'with public service characteristics' (DCMS, 2015, p.114) and that such a fund could 'deliver quality and pluralistic public service content, using competitive forces to ensure the highest quality for the best value for money' (DCMS, 2016b, p. 71). The proposed fund was a

political choice that clearly signalled that the BBC has no sole claim to the licence fee, with the Conservative Government expecting competition to encourage ‘new voices’ (DCMS, 2016a, p.2). Ostensibly designed to tackle the failure of incentive, the key question is whether such a fund would tackle market failure in the children’s market, by promoting greater diversity of providers (more commissioners) and more plurality in provision (a greater range of producers and by extension diversity).

With few exceptions (Hyatt, 2015), industry and children’s advocacy stakeholders had reservations and were particularly opposed to top-slicing the licence fee to support contestable funding (CMF, 2015; Coba, 2015, p. 31; Frontier Economics, 2016; Pact, 2015; VLV, 2015), fearing that it risked undermining BBC core funding over time. All expressed doubts about the efficacy of a fund targeted at reluctant UK commercial broadcasters and a vast online universe where content might easily disappear without promotion and marketing.

When the Government published a consultation document on contestable funding in December 2016 (DCMS, 2016a), these arguments were elaborated, but recognising the government’s intentions, stakeholders with an interest in children’s content did address issues about the fund’s focus (narrow or broad), platform distribution, administration and award criteria (CMF, 2017a; Pact, 2017; VLV, 2017).

Nevertheless, producers’ association, PACT (Producers Alliance for Cinema and Television), questioned the efficiency of the fund in promoting competition and whether it would have real impact without regulation to force broadcasters and platforms to support ‘at-risk’ genres. It feared that broadcasters would simply use the fund to finance content they would have funded anyway, diminishing overall production spend (PACT, 2017, p. 2). Reluctantly Pact advocated a children’s fund to



support development, top-up funding for existing commissions and funding for new players online. Commercial PSB, ITV expressed little enthusiasm for ‘taking public money’ because it did not want to accept the responsibilities and limitations of accepting financial support (cit. in CMF, 2017a; Frontier Economics, 2016; Pact, 2017). The Children’s Media Foundation (CMF) welcomed the pilot if it focused solely on children’s content across all platforms, suggesting shared windowing and funding with commercial subscription platforms (Netflix and Sky), as well as support for ‘low-cost content’ by new entrants that would enhance ‘innovation, experiment and risk-taking’ (CMF, 2017a, p. 5).

However, the small size of the fund (£20 million a year), the possible spread across children’s, arts and minority programming, uncertainties about match-funding and distribution, and the short duration of the project (2-3 years) underlined its limitations as a long-term solution. The key risk identified by stakeholders was that the government might top-slice the licence fee in future if the fund continued beyond the pilot phase, but without increasing overall funding for domestic children’s content, a risk also identified by regulator, Ofcom, in its third PSB review (Ofcom, 2014b, p. 118). Political machinations about who might potentially access licence fee funding seemed to offer a slim lifeline to children’s television production, but failed to mask the greater risk to the licence fee being salami-sliced in future, potentially undermining the BBC’s finances and all those in the industry who rely on BBC commissions.

### ***First run-origination quotas and the BBC***

A further outcome of BBC Charter Review was the imposition of first-run origination and transmission quotas on the BBC for children’s content as part of a draft BBC

operating licence, put out to consultation by Ofcom in March 2017 (Ofcom, 2017b) to ensure that the BBC adheres to the new Charter and Agreement. Schedule 2 of the Agreement allows Ofcom to set requirements on the amount and prominence of certain ‘genres’ (children’s, arts, religion, music, comedy) that contribute to the BBC’s mission and purposes, but which may be ‘underprovided or in decline across public service broadcasting’ (HMSO, 2016, p.52).

In the draft operating licence Ofcom raised broadcast transmission quotas for CBBC drama and factual programming to 1000 and 675 hours respectively from 665 and 550 hours previously, alongside a news quota of 85 hours (Ofcom, 2017b). Annual quotas on first-run UK originations for CBBC (400 hours) and CBeebies (100 hours) are new, but replicate what the BBC had been commissioning in 2016, so halting further commissioning reductions. The BBC was also required for the first time explicitly to serve older children and teenagers, a requirement that goes further than the 6-12 age target of CBBC, a channel for pre-teen children.

However, transmission and origination quotas targeted at linear channels, CBeebies and CBBC, seem at odds with a BBC announcement in July 2017 of an additional £34 million investment in children’s services over three years from 2017/18, which emphasised online content. The BBC estimates it will be spending £31.4 million ‘online’ from a children’s budget of £124.4 million by 2019/20 (BBC, 2017b). Its aim of directing extra funding online with ‘new forms of content and interactivity’ and personalised offerings (BBC, 2017b) looks out of step with Ofcom’s emphasis on production and transmission quotas for CBBC and CBeebies broadcasts. Origination quotas are also out of step with the BBC’s assertion that it would be focusing on ‘a smaller number of stand-out titles for which we will commission TV series and high-

quality brand extensions across all platforms’ (BBC, 2017a, p. 11). Ofcom’s draft operating licence does not specify any quantitative or qualitative targets for online delivery even as online content takes up a greater proportion of BBC children’s provision. Ofcom, as the BBC’s regulator, will need to ensure that the BBC delivers on distinctiveness, innovation, quality and diversity here too and has undertaken to adjust the operating licence in line with changes in tastes and consumption, a factor that is particularly relevant to children. However, the BBC was more circumspect, fearing future hurdles to its strategy, and arguing that quotas risked the delivery of its mission and purposes ‘across all platforms’ because ‘Ever more, or increased, genre quotas on our TV and radio channels will make that harder, and risk preserving the BBC “as it is” rather than “where it needs to be” in future’ (BBC, 2017c, pp.20-21).

Other stakeholders including the children’s advocacy group, Children’s Media Foundation (CMF, 2017b) and PACT (2017b) welcomed the quotas, but expressed reservations. CMF was concerned that the BBC would focus its spending on infrastructure rather than content, while PACT pointed out that quantitative quotas also needed to be backed up by maintaining investment directly in content (PACT, 2017b, p. 9)

### ***The reintroduction of quotas for commercial PSBs***

The most unexpected intervention in 2017 was the reintroduction of quotas for commercial PSBs (ITV, Channel 4, Five) in an amendment to the UK Digital Economy Bill which was approved by the House of Commons on 26 April ahead of the June 2017 general election. The amendment gives Ofcom the power to impose the quotas, but crucially it also allows Ofcom to take account of children’s programmes on ‘services related to those channels’ such as ITV’s CiTV children’s channel or

online platforms, which are not included in the PSB mandate of commercial PSBs (House of Commons, 2017). Ofcom has to publish criteria for children's programming on commercial PSBs and consult publicly on any proposals, but the powers could counter *the failure to regulate* since 2003 when transmission and output quotas were abolished for commercial PSBs.

The type of quotas are not yet specified (as of 1 October 2017). Transmission quotas (amounts broadcast) might not benefit domestic origination if broadcasters simply acquire content off the shelf, as opposed to quotas, which specify amounts of domestic production, possibly even in underprovided genres such as drama or factual content or content for older children. Production investment quotas, specifying levels of investment in children's content could have the most significant effect, particularly if these are applied to the commercial PSBs' non PSB channels (CiTV, E4) and online services. The introduction of quotas would make a contestable fund more feasible, countering the failure to regulate, because it would give commercial PSBs an incentive to commission content supported by a contestable fund, although this would not necessarily result in significantly more investment by commercial PSBs.

## **Conclusion**

This study has attempted to evaluate responses to market failure in the UK children's TV market. By the end of 2017 it looked as if some of the issues associated with failures of incentive, regulation and structure had been addressed through contestable funding, BBC origination quotas and the promise of quotas for commercial PSBs. These interventions came about because of intense campaigning by stakeholders with vested interests represented by industry (PACT, Animation UK) and consumer/advocacy groups including the Children's Media Foundation and Save

Kids' Content (Steemers, 2017). The latter is a joint initiative between PACT, and children's producer and 'policy entrepreneur' (Kingdon, 2011, p. 10), Anne Wood, who used a parliamentary lobbying company, to steer through the last-minute parliamentary amendment about quotas to the Digital Economy Bill.

Stakeholder calls for interventions came about because of perceived threats to the production of domestic children's television after UK commercial broadcasters recused themselves from investment, undermining the UK's production ecology for children's content which had depended on both the BBC and commercial PSBs.

However, what has been remarkable about these policy interventions is that they make little reference to changes in children's consumption and seem largely geared to supporting broadcast content rather than digital media, user participation, and new forms of non-linear content. Strictly speaking the children's television market as a whole is not a market failure, but the arguments around children's content go beyond management and economic issues. A key factor here was the perception of market failure that mixed both normative and emotive arguments about the need to provide UK children with UK content, and less transparent arguments about a section of the production industry that was facing terminal decline. These rather than managerial concerns drove stakeholder debates.

It could be argued that UK policy-makers neglected to think about new forms of content for children beyond television, because of their inability to engage with wider issues beyond the narrow and politically charged terms of BBC Charter Review, where contestable funding was first outlined. This limited perspective was compounded by industry (PACT, Animation UK) and advocacy (CMF, VLV, Save Kids Content) lobby groups, who found themselves having to focus on the

government's narrowly framed proposals for contestable funding (see also Steemers, 2017), BBC quotas, and the rather hurried reintroduction of commercial PSB quotas in the Digital Economy Bill. These more speculative and reactive concerns took precedence over more substantive issues related to the long-term future of children's content in the UK. In media management terms these interventions which under-emphasised new developments in favour of television, reveal how short-term policy initiatives can create barriers to innovation, which may result in providers ultimately failing to meet either societal expectations for public service children's content or market requirements. The imposition of quotas on the BBC's linear children's channels and some kind of children's content quotas for commercial PSBs promise to turn the clock back, but may not provide a long-term solution for the health of UK production for children, particularly as the BBC shifts its priorities to online platforms and infrastructure. The contestable fund consultation for a limited 3-year pilot partially addressed options to support content on non-broadcast platforms, but offered little scope to address what range and type of children's content and services (short-form content, games, apps), public funding should be supporting.

This demonstrates that issues of funding and policy cannot be viewed in isolation from considerations of where audiences for children's public service content are heading, and how children are likely to discover public service content in future. Interventions have to be seen in the context of more holistic approaches that reflect other issues associated with children's media consumption including their use of social media and games, and growing public concern about the dangers of online content and issues of care and protection as children become more involved with digital media and are targeted by new commercial practices and data collection. Yet current approaches to children's public service content production and funding in the

UK, have in large part been driven by an industry-focused, broadcasting-led stance rather than a child-centred discourse. Following the practical disassembly of public service production for children over a decade because of failures in incentive, regulation and structure, the unanswered question is whether recent interventions, focused largely on broadcast platforms, will address the underlying realities of children's changing media experiences, which are less likely to be channel-based in future. Recent interventions in the UK may be ill-designed to sustain UK-originated public service content over the longer term, and will require close scrutiny and evaluation over the coming years.

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